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## **Nigeria**

## **Cotton and Products**

## **Annual**

## **2001**

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### **Report Highlights:**

**Nigeria's cotton production in 2001/02 is forecast to increase 20 percent to 110,000 tons due to increases in both harvested area and crop yield. A stronger demand by local textile manufacturers accompanied by significant increase in exports has improved grower returns for cultivating cotton. The textile sector is struggling to compete against imported products while positioning itself to take advantage of market access offered by the African Growth and Opportunity Act.**

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Includes PSD changes: Yes  
Includes Trade Matrix: Yes  
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## Executive Summary

Nigeria's cotton production in 2001/02 is forecast at 110,000 tons, up from 90,000 tons in 2000/01. Favorable cotton grower prices over the past year along with higher fertilizer prices are expected to convince farmers to switch from other crops to cotton in the upcoming 2001/2002 season. Planting activities will begin in late May 2001 and will continue through July. The larger crop forecast is based largely upon an anticipated expansion in crop area. Average yield levels may increase modestly, but will be moderated by poor seed quality and low input utilization.

Growth in the downstream textile manufacturing sector continues to be constrained by stiff competition from textile product imports from southeast Asia. Consumer demand for locally produced textiles suffer from low consumer purchasing capacity and a preference for lower-cost products which often enter Nigeria illegally and are sold to consumers at prices which reflect the avoidance of import duty payment. Undocumented imports of textile products has increased markedly following the increase in the import duty on these products from 35 to 65 percent in 1999. Nigeria's porous borders severely limits the Government's enforcement efforts of the new duty. Industry sources estimate capacity utilization within the local textile sector at less than 25 percent.

Exchange Rate :      \$1 = 115.50 Naira

**PSD Table Cotton**

PSD Table						
Country	Nigeria					
Commodity	Cotton				(HECTARES)(MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		08/1999		08/2000		08/2001
Area Planted	280000	280000	280000	350000	0	400000
Area Harvested	280000	280000	280000	350000	0	400000
Beginning Stocks	32441	32441	31353	31353	28087	16594
Production	50077	50077	59875	90000	0	110,000
Imports	15241	15241	15241	15241	0	20,000
TOTAL SUPPLY	97759	97759	106469	136594	28087	146594
Exports	16329	16329	26127	30000	0	30000
USE Dom. Consumption	50077	50077	52254	90,000	0	100000
Loss Dom. Consumption	0	0	1	0	0	0
TOTAL Dom. Consumption	50077	50077	52255	90000	0	100000
Ending Stocks	31353	31353	28087	16594	0	16594
TOTAL DISTRIBUTION	97759	97759	106469	136594	0	146594

**Production**

Nigeria's cotton lint production in 2001/02 is forecast at 110,000 tons, up from our revised estimate of 90,000 tons in 2000/01. The increase in crop size is largely based on a projected 15 percent increase in cotton area. Competition among ginneries and increased lint exports supported higher grower prices throughout 2000/01 and is encouraging farmers to plant more cotton for the upcoming season. Additionally, inconsistencies in the GON's fertilizer policy has curtailed its availability to farmers and is encouraging farmers to shift to less fertilizer dependent crops such as cotton. Post's recent visit to Katsina State in northern Nigeria, which accounts for approximately 65 percent of the local cotton crop, revealed a growing interest among farmers to plant more cotton in 2001/02. Planting seeds sales are showing a marked increase over this time a year ago.

Post increased its lint production estimate for 2000/01 to 90,000 tons based upon cotton ginning data through April 2001 as reported by industry sources. The increase reflects an upward revision in our estimate of crop area and improved crop yield resulting from favorable weather conditions. Average lint realization increased to 38 percent this year, up from 35 percent over the past 3 seasons. Cotton farming in Nigeria is a smallholder crop and farming systems are mostly rain-fed, mixed cropping. The average cotton farm size is no more than 2-3 hectares.

**Inputs**

Inadequate supplies of good quality cotton planting seed is the most important constraint to increased cotton production in Nigeria. Cotton production control, management and extension services have all suffered following the abolition of the cotton board in 1986. The industry no longer is able to direct cotton seed varieties to specific zones where yield results can be maximized. In the past, cotton gins in each zone of the country were

restricted to processing seed cotton produced only in their zones. The ginneries, in turn, distributed to farmers planting seeds produced in their gins. In this way, farmers received planting materials suited for their part of the country. Today, ginneries are processing seed cotton from all parts of the country and farmers are being supplied a mixed grouping of planting seeds. Most planting seeds are not treated and are planted without germination tests or quality certification. The GON's efforts to collaborate with other stakeholders to procure and distribute pure seeds have been ineffective largely due to inadequate program funding.

Cotton cultivation is attractive to Nigerian farmers because of its relatively low fertilizer requirements. Chemicals are readily available, but utilization is limited by high costs. Farmers spray their cotton fields only 2 times in a production cycle compared to the recommended minimum of four applications. Nigeria's Institute of Agricultural Research in Zaria has recently developed and introduced a long staple cotton variety in response to a demand from local textile manufacturers. Until now, almost all cotton grown in Nigeria has been medium staple. This new long staple variety is available to the National Seed Service, the Government's agency responsible for seed multiplication and distribution to farmers. Preliminary results from experimental farms indicate that this variety can yield up to 3 tons of seed cotton per hectare. This variety is suitable for planting in Nigeria's southern growing zones which benefit from a longer rainy season and where cultivation takes place under irrigated conditions.

### **Crop Area**

Area figures in this report are based on production and yield estimates. Reliable statistical data on crop area is not available. Our forecast of a 15 percent increase in cotton area in 2001/02 is largely based upon an increase in planting seed sales. Cotton farmers are responding to last year's higher seed cotton prices. Gombe and Bauchi States are now planning large-scale, integrated cotton farming projects which include cotton ginning and oil milling operations.

### **Yields**

Average crop yield in 2000/01 increased to approximately 700 kilograms of seed cotton per hectare, up from 600 kilograms a year earlier. The yield increase is attributed to favorable weather conditions, increased adoption of improved seeds by farmers, and better farm management. Yield levels in Nigeria are poor due to low input utilization and inadequate supplies of good quality, dressed seeds. Existing planting seed varieties have yield potential of 2.5 to 3 tons per hectare. Yield levels in 2001/2002 are likely to improve only modestly with most of the forecast increase in production attributed to an expansion in planted area.

### **Crop Quality**

Staple length of locally produced cotton is 1 1/16" compared to longer staple cotton (1 1/8") available in other West African countries. Most Nigerian textile manufacturers use locally-produced cotton lint with satisfaction. Some long staple cotton is imported for blending to produce finer count cloths. Polypropylene bags used by Nigerian farmers contaminate cotton lint with bag fiber, creating problems for textile spinning and dyeing. Efforts at persuading farmers to use jute bags in place of polypropylene have not been successful.

### **Consumption**

The textile manufacturing sector recorded modest growth in 2000/01 after several years of decline. This is reflected in the increased utilization of cotton lint. Demand for locally-manufactured fabrics, both cotton and polyester, has improved significantly since the beginning of the 2000/01 season thanks to recent government efforts at jump-starting the Nigerian economy. The increase in the national minimum wage from 3,000 Naira to 7,500 Naira per month has increased consumer purchasing power somewhat. Domestic lint consumption in

2001/02 is forecast to increase to 100,000 tons, up from 90,000 ton in the current year. Increased price levels paid this year by textile firms reflect the stronger demand from exporters.

Nigeria has a fairly large and well-developed textile industry. At full capacity, the industry can produce 1.4 billion meters of cloth per annum. Less than 25 percent of this capacity was utilized in calendar 2000. The textile industry represents the largest single manufacturing sector in the economy in terms of investment, output, and cash turnover. It is the second largest employer of salaried labor after the government. At present, the sector employs 65,000 individuals. Operating at full capacity, the textile sector offers potential employment to 300,000 workers.

Industry sources identify the following major constraints to growth in the textile sector:

- Depressed domestic demand due to the weak consumer purchasing power.
- Stiff competition from textile imports following the lifting of Nigeria's import ban in 1997.
- Large import volumes of used textile products despite Legal restrictions to such imports.
- High production costs and a non-supportive operating environment for the general business community.
- The poor state of infrastructure in Nigeria which requires mills to often provide their own electricity, water, feeder roads, and telecommunication facilities which results in higher costs of production.

There are 51 cotton ginneries in Nigeria with a combined installed processing capacity of 700,000 tons of seed cotton per year. Capacity utilization in the sector increased to 40 percent in 2000/01, up from 30 percent a year earlier. Most of Nigeria's cotton gins operate on a toll basis due to inadequate working capital and prevailing high interest rates. The average ginning fee in 2000/01 was 3,500 Naira per ton of seed cotton, up 15 percent over a year earlier.

### Prices

A marked increase in cotton lint exports and stiff competition among ginneries for available seed cotton has produced higher grower prices this year. The average price of locally-produced seed cotton in 2000/01 increased to 50,000 Naira per ton, up from 35,000 Naira a year earlier. The average price of local lint during the 2000/01 season is close 110,000 naira per ton, up from 95,000 naira a year earlier. The price of lint in May 2001 has risen to 130,000 Naira per ton. Trade sources indicate that the quality of Nigeria's lint has improved this year, but continues to attract discount pricing in the international market due largely to the polyethylene contamination.

**Table: Cotton Lint Prices**

Prices Table			
Country	Nigeria		

Commodity	Cotton		
Prices in	Naira	per uom	Kilogram
Year	1999	2000	% Change
Jan	90	110	22.22%
Feb	95	110	15.79%
Mar	100	110	10.00%
Apr	100	110	10.00%
May	100	110	10.00%
Jun	110	120	9.09%
Jul	110	120	9.09%
Aug	110	120	9.09%
Sep	115	115	0.00%
Oct	115	115	0.00%
Nov	105	115	9.52%
Dec	105	115	9.52%
Exchange Rate	115.50/1	Local currency/US \$	

## Trade

Official trade statistics for lint imports and exports are not available. Trade sources indicate that undocumented (smuggled) lint imports account for approximately 20 percent of total domestic cotton consumption. Nigerian textile manufacturers require better quality cotton available in neighboring Benin, Cameroon and Chad for blending to produce finer prints. Local textile manufacturers pay a price premium of as much as 20 percent for imported lint. Despite the projected increase in cotton output next year, imports of higher quality cotton are forecast to increase to 20,000 tons.

Nigeria's lint exports in 2000/01 increased to an estimated 30,000 tons, up from 16,000 tons a year earlier. Production shortfalls in India and Bangladesh, discount pricing of Nigerian cotton in terminal markets, and GON's export incentives have supported this seasons larger export volume. Trade matrix import and export figures in this report are post estimates.

Until the late 1980's, exports of textile fabrics to the Economic Community of West African States (ECOWAS) accounted for as much as 40 percent of Nigeria's total textile output. At present, the sub-region takes less than 10 percent due to the relatively high cost of Nigeria's finished textile prints, devaluation of the CFA and competition from low-priced, and in some cases higher quality, imported fabric from southeast Asia.

Local textile manufacturers reportedly are re-positioning and re-engineering their operations to exploit the market access benefits offered to Nigeria under the African Growth and Opportunity Act (AGOA). Some textile manufacturing companies may opt for importing U.S. yarn for processing into garments that can be exported to the United States under AGOA.

**Table: Cotton Lint Import Matrix**

Import Trade Matrix			
Country	Nigeria		
Commodity	Cotton		
Time period	Aug-Jul	Units:	Tons
Imports for:	1999		2000
U.S.		U.S.	
Others		Others	
Cameroon	5,000	Cameroon	5,000
Benin	5,000	Benin	5,000
Niger	4,000	Niger	4,000
Chad	1241	Chad	1241
Total for Others	15241		15241
Others not Listed			
Grand Total	15241		15241

**Table: Cotton Lint Export Matrix**

Export Trade Matrix			
Country	Nigeria		
Commodity	Cotton		
Time period	Aug-Jul	Units:	Tons

Exports for:	1999		2000
U.S.		U.S.	
Others		Others	
Malaysia	5329	India	9000
Singapore	5000	Bangladesh	5000
Korea	6000	Singapore	7000
		EU	9000
Total for Others	16329		30000
Others not Listed			
Grand Total	16329		30000

## Stocks

Reliable stock data for the Nigerian cotton industry is not available. Stock figures in this report represent a residual of estimated production, consumption, and trade. Post has reduced stock estimates for the 2000/2001 season to reflect an increase in cotton exports and domestic usage.

## Policy

The GON commissioned a consulting firm to perform a detailed study of Nigeria's cotton production and marketing. A report was recently submitted to the Government for its consideration. The major recommendations of the report are as follows:

- ' The GON should allocate additional funds for cotton research, extension services, and a systematic multiplication program for improved seed varieties.
- ' Establish formal cotton markets which will ensure the enforcement of quality control standards.
- ' Adequate funding for the Government's Cotton Revolving Management Fund should be provided.

The GON established the Cotton Revolving Fund in 1993 to handle the procurement, treatment, and timely distribution of planting seeds to farmers. The seed selection and distribution program of the revolving fund, however, has been unsuccessful in improving the generally poor quality of planting seeds offered to growers. Seed distribution under the program is not timely and does not satisfy requirements. Farmers routinely rely on mixed seeds in carrying out their planting programs which produces low yield levels and tends to worsen outbreaks of pests and diseases.

Textile manufacturers under the umbrella of the Nigerian Textile Manufacturers Association have intensified their lobbying efforts with the GON for the re-imposition of a ban on the importation of all textile products. The GON appears unwilling to re-impose the ban which was lifted in 1997. The Association also is urging the GON to increase the duty on imported fabrics from 65 percent to 150 percent and to implement measures which



will curb smuggling activity.

**Marketing**

On January 4, 2001, the GON reduced the duty on cotton from 35 to 5 percent. However, in the Ministry of Finance's January 31 addendum, the duty on cotton was raised from 5 to 25 percent. Effectively, the duty was reduced from 35 percent to 25 percent. The lower tariff rate offers limited marketing opportunities for U.S. exporters, especially of long staple cotton. Nearly all lint imported from the Benin Republic, Chad and Cameroon enters Nigeria through undocumented channels (smuggling) and therefore avoids payment of Nigeria's import duty.